

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 27, 2008

Bill Number: H.B. 3012

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Sections 4-10-20, as amended, 4-10-350, as amended, 4-10-580, and 4-37-30, as amended, all of the Code of Laws of South Carolina, 1976, relating to the local option sales tax, the capital project sales tax, the personal property tax exemption sales tax, and the transportation infrastructure sales tax, so as to exempt from these taxes food items eligible for purchase with United States Department of Agriculture Food Coupons and to make this exemption apply prospectively.

REVENUE IMPACT ^{1/}

This bill is not expected to affect General Fund revenue in FY2008-09. This bill would reduce local option sales and use tax revenue by an estimated \$39,318,958 in FY2008-09 if all of the local governing bodies of the counties adopt an ordinance exempting unprepared food from local sales and use tax.

Explanation

This bill would amend Sections 4-10-20 (local option sales tax for county and municipality residential property tax relief), 4-10-350(B) (local option sales tax for capital projects), 4-10-580(B) (personal property tax relief on private passenger motor vehicles, motorcycles, aircraft, boats, and boat motors), and 4-37-30(A)(9) (local option sales tax for transportation projects) to exempt unprepared food items eligible for purchase with United States Department of Agriculture food coupons from the local option sales tax. This bill also amends Section 12-36-2120(75) to allow a county to exempt grocery store food from local sales and use tax only by ordinance of the governing body of the county. All forty-six counties exempt food purchased by individuals with food stamps from the local option sales tax, and only Clarendon County applies a sales tax to food items purchased at the local level for its local option school sales tax. Currently, nine counties have enacted more than one local option sales tax, and the personal property tax relief sales tax is currently not in use in any county in the state. Based upon data from the U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditures Survey*, and the South Carolina Department of Revenue, food purchased at grocery stores accounts for an estimated eight percent of total consumer spending. In FY2006-07, local sales and use tax revenue from the local option property tax relief sales tax, the local option capital projects sales tax, and the local option transportation projects sales tax amounted to \$425,780,288. If all of the local governing bodies of the counties adopt a sales and use tax exemption on food ordinance, then after adjusting this figure for inflation and multiplying the resultant by eight percent yields a reduction of local option sales and use tax revenue of an estimated \$39,318,958 in FY2008-09.

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.